

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>NORWOOD TOWNSHIP</b>	County <b>CHARLEVOIX</b>
Fiscal Year End <b>3/31/06</b>	Opinion Date <b>8/21/06</b>	Date Audit Report Submitted to State <b>9/29/06</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

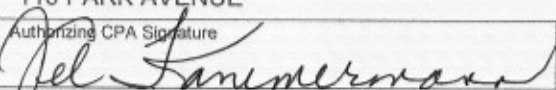
YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>MASON &amp; KAMMERMAN, P.C.</b>		Telephone Number <b>(231) 547-4911</b>	
Street Address <b>110 PARK AVENUE</b>		City <b>CHARLEVOIX</b>	State <b>MI</b>
		Zip <b>49720</b>	
Authorizing CPA Signature 		Printed Name <b>VEL KAMMERMAN</b>	License Number <b>1101012482</b>

NORWOOD TOWNSHIP  
CHARLEVOIX COUNTY, MICHIGAN

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FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION  
for the year ended March 31, 2006

MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CHARLEVOIX, MICHIGAN

# Norwood Township

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## Table of Contents

<b>Independent Auditor's Report</b>	1-2
-------------------------------------	-----

<b>Management's Discussion and Analysis</b>	3-7
---	-----

### **Basic Financial Statements**

#### Government-Wide Financial Statements

Statement of Net Assets	8
-------------------------	---

Statement of Activities	9
-------------------------	---

#### Fund Financial Statements:

##### Governmental Funds

Balance Sheet	10
---------------	----

Reconciliation of the Government Funds Balance Sheet to the Net Assets of Governmental Funds on the Statement of Net Assets	11
---	----

Statement of Revenues, Expenditures and Changes in Fund Balance	12
---	----

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	13
--	----

##### Fiduciary Fund

Statement of Net Assets	14
-------------------------	----

Statement of Changes in Net Assets	15
------------------------------------	----

<b>Notes to Financial Statements</b>	16-23
--------------------------------------	-------

### **Required Supplementary Information**

#### Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Comparison Schedules:

General Fund	24-27
--------------	-------

Road Fund	28
-----------	----

Emergency Services Fund	29
-------------------------	----

MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

August 21, 2006

Members of the Township Board  
Norwood Township  
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Norwood Township of Charlevoix, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Norwood Township as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of July 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Mason & Kammermann, P.C.*

Mason & Kammermann, P.C.  
Certified Public Accountants

# **Norwood Township**

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## **Management Discussion & Analysis**

This section of Norwood Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended March 31, 2006.

### **Overview of the Financial Statements**

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are in a new format implemented over this fiscal year to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). Norwood Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

### **Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of Norwood Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Norwood Township is improving or deteriorating.

The Statement of Activities presents changes in the government's net assets during the most recent fiscal year, on the modified accrual basis of accounting.

### **Fund Financial Statements**

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. Norwood Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. Norwood Township uses two categories of funds, which are governmental and fiduciary funds.

# **Norwood Township**

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## **Management Discussion & Analysis**

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Norwood Township maintains three major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Road and Emergency Funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with these budgets.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources collected and held for the benefit of the Township and other governmental units outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs.

# **Norwood Township**

## **Management Discussion & Analysis**

### **Financial Analysis of the Township as a Whole**

The table below shows, in a condensed format, the Township's net assets as of March 31, 2006:

Norwood Township Statement of Net Assets	
	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
<b>Current Assets</b>	\$ 292,107
<b>Noncurrent Assets</b>	
Capital Assets, net	<u>29,826</u>
 Total Assets	 321,933
<b><u>Liabilities and Net Assets</u></b>	
<b>Current Liabilities</b>	<u>5,158</u>
<b>Net Assets</b>	
Invested in Capital Assets, net	29,826
Restricted	63,991
Unrestricted	<u>222,958</u>
 Total Net Assets	 <u>\$ 316,775</u>

The total governmental net assets are \$316,775 for the Township. The township has \$222,958 of unrestricted governmental net assets, which could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.



# Norwood Township

## Management Discussion & Analysis

The following table shows how activities affected changes in net assets during the fiscal year.

### Changes in Net Assets For The Year Ended March 31, 2006

	Governmental Activities
<b>Revenues:</b>	
Program Revenues	
Charges for Services	\$ 1,615
General Revenues:	
Property Taxes	100,211
State Shared revenues	48,222
Administrative Fees	15,236
Interest	6,830
Reimbursements	1,420
Other	5,273
Total Revenues	178,807
<b>Expenses:</b>	
Legislative	49,457
General Government	32,330
Public Safety	16,339
Public Works	5,467
Health & Welfare	34,605
Community & Economic Development	9,952
Recreation & Culture	1,094
Total Expenses	149,244
Change in net assets	\$ 29,563

### Revenue sources and changes

Total revenue from governmental activities totaled \$178,807. Revenue from governmental activities consists primarily of, 56.04% from property taxes, 26.97% from state revenue sharing, 8.52% from administrative fees. The millage rate for general operations was .9853 mills, while the rates for the road and emergency funds were .9853 and .4926, respectively.

# **Norwood Township**

## **Management Discussion & Analysis**

### **Expenses**

Using the full accrual basis of accounting, the Township spent \$149,244 on governmental activities. This equates to 33.15% on legislative activities, 23.19% on health and welfare, 21.64% on general government, 10.95% on public safety, 6.67% on community and economic development, 3.66% on public works and 0.74% on recreation and culture.

### **Financial Analysis of the Township's Funds**

At March 31, 2006, the Township's governmental funds reported a combined cash of \$278,061, which is approximately \$26,792 more than last year.

### **Capital Assets**

At fiscal year ended March 31, 2006, the Township has \$29,826 in capital assets, net of accumulated depreciation.

Capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land and improvements, buildings and improvements, road signs and equipment. The Township uses straight-line depreciation for all depreciable assets.

### **Long-Term Debt**

The Township had no outstanding long-term debt for governmental activities as of March 31, 2006.

### **Requests for Information**

This financial report is designed to provide a general overview of Norwood Township's finances for all of those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact Norwood Township, 19759 Lake Street, Charlevoix, Michigan 49720.

# Norwood Township

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## Statement of Net Assets March 31, 2006

	Governmental Activities
<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash	\$ 278,061
Due from Other Funds	3,008
Taxes Receivable	<u>11,038</u>
Total Current Assets	292,107
<b>Noncurrent Assets</b>	
Capital Assets	58,911
Less: Accumulated Depreciation	<u>(29,085)</u>
Total Noncurrent Assets	<u>29,826</u>
Total Assets	<u>321,933</u>
<b><u>Liabilities and Net Assets</u></b>	
<b>Current Liabilities</b>	
Accounts Payable	3,646
Accrued Payroll Taxes	<u>1,512</u>
Total Liabilities	5,158
<b>Net Assets</b>	
Invested in Capital Assets	29,826
Restricted	63,991
Unrestricted	<u>222,958</u>
Total Net Assets	<u>\$ 316,775</u>

The accompanying notes are a part of the financial statements.

# Norwood Township

## Statement of Activities For The Year Ended March 31, 2006

		Program Revenues			Net Revenue (Expense) and Change in Net Assets
			Operating Grants & Contributions	Capital Grants & Contributions	
	Expenses	Charges for Services			Total
Governmental Activities					
Legislative	\$ 49,457	\$ -	\$ -	\$ -	\$ (49,457)
General Government	32,330	-	-	-	(32,330)
Public Safety	16,339	-	-	-	(16,339)
Public Works	5,467	-	-	-	(5,467)
Health & Welfare	34,605	-	-	-	(34,605)
Community & Economic Development	9,952	1,615	-	-	(8,337)
Recreation and Cultural	1,094	-	-	-	(1,094)
Total Government Activities	<u>\$ 149,244</u>	<u>\$ 1,615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(147,629)</u>
General Revenues:					
Taxes:					
Property Taxes					100,211
Administrative Fees					15,236
State Shared Revenues					48,222
Interest					6,830
Reimbursements					1,420
Other					5,273
Total General Revenues					<u>177,192</u>
Change in Net Assets					29,563
Net Assets - April 1, 2005					<u>287,212</u>
Net Assets - March 31, 2006					<u>\$ 316,775</u>

The accompanying notes are a part of the financial statements.

# Norwood Township

## Governmental Funds Balance Sheet March 31, 2006

<u>Assets</u>	<u>General Fund</u>	<u>Road Fund</u>	<u>Emergency Fund</u>	<u>Total</u>
Cash	\$ 220,389	\$ 39,061	\$ 18,611	\$ 278,061
Due From Other Funds	3,008	-	-	3,008
Taxes Receivable	4,719	4,213	2,106	11,038
Total Assets	<u>\$ 228,116</u>	<u>\$ 43,274</u>	<u>\$ 20,717</u>	<u>\$ 292,107</u>
 <b><u>Liabilities and Fund Equity</u></b>				
Liabilities:				
Accounts Payable	\$ 3,646	\$ -	\$ -	\$ 3,646
Accrued Payroll Taxes	1,512	-	-	1,512
Total Liabilities	5,158	-	-	5,158
Fund Equity:				
Unrestricted	222,958	-	-	222,958
Restricted - Designated, Special Revenue Funds	-	43,274	20,717	63,991
Total Fund Balance	<u>222,958</u>	<u>43,274</u>	<u>20,717</u>	<u>286,949</u>
Total Liabilities & Fund Equity	<u>\$ 228,116</u>	<u>\$ 43,274</u>	<u>\$ 20,717</u>	<u>\$ 292,107</u>

The accompanying notes are a part of the financial statements.

# Norwood Township

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## Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets March 31, 2006

Total Fund Balances - Governmental Funds	\$	286,949
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Amounts reported for governmental activities in the Statement  
of Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the governmental funds  
balance sheet.

Cost of capital assets	58,911
Accumulated depreciation	<u>(29,085)</u>

Total Net Assets - Governmental Activities	<u>\$</u>	<u>316,775</u>
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The accompanying notes are a part of the financial statements.

# Norwood Township

## Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances For The Year Ended March 31, 2006

	General Fund	Road Fund	Emergency Fund	Total
<b>Revenues:</b>				
Taxes	\$ 39,991	\$ 40,149	\$ 20,071	\$ 100,211
Administrative Fees	15,236	-	-	15,236
State Shared Revenue	48,222	-	-	48,222
Licenses & Permits	1,615	-	-	1,615
Interest	6,385	340	105	6,830
Reimbursements	1,420	-	-	1,420
Other	5,273	-	-	5,273
<b>Total Revenues</b>	<b>118,142</b>	<b>40,489</b>	<b>20,176</b>	<b>178,807</b>
<b>Expenditures:</b>				
Current:				
Legislative	49,457	-	-	49,457
General Government	31,696	-	-	31,696
Public Safety	339	-	16,000	16,339
Public Works	5,467	-	-	5,467
Health & Welfare	1,785	30,520	2,300	34,605
Community & Economic Development	9,952	-	-	9,952
Recreation and Cultural	1,094	-	-	1,094
<b>Total Expenditures</b>	<b>99,790</b>	<b>30,520</b>	<b>18,300</b>	<b>148,610</b>
<b>Net Change in Fund Balance</b>	<b>18,352</b>	<b>9,969</b>	<b>1,876</b>	<b>30,197</b>
<b>Fund Balances - April 1, 2005</b>	<b>204,606</b>	<b>33,305</b>	<b>18,841</b>	<b>256,752</b>
<b>Fund Balances - March 31, 2006</b>	<b>\$ 222,958</b>	<b>\$ 43,274</b>	<b>\$ 20,717</b>	<b>\$ 286,949</b>

The accompanying notes are a part of the financial statements.

# **Norwood Township**

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## **Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For The Year Ended March 31, 2006**

Net Change in Fund Balances - Total Governmental Funds	\$ 30,197
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets  
is allocated over their estimated useful lives

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Depreciation expense is recorded in the statement of activities but not  
the governmental fund financial statements

(634)

Changes in Net Assets - Governmental Activities

\$ 29,563

The accompanying notes are a part of the financial statements.



# Norwood Township

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## Fiduciary Fund Statement of Net Assets March 31, 2006

### Assets

Cash

\$ 3,008

### Liabilities

Due to Other Funds

\$ 3,008

The accompanying notes are a part of the financial statements.

# Norwood Township

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## Fiduciary Fund Statement of Changes in Fiduciary Net Assets For The Year Ended March 31, 2006

### Additions:

Property Tax Collections for:	
Primary Government	\$ 100,748
Other Governments	1,001,901
Interest Income	<u>862</u>
Total Additions	<u>1,103,511</u>

### Deductions:

Property Tax Distributions for:	
Primary Government	99,610
Other Governments	<u>1,001,901</u>
Total Distributions	<u>1,101,511</u>

Change in Net Assets	2,000
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Fiduciary Net Assets - April 1, 2005	<u>1,008</u>
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Fiduciary Net Assets - March 31, 2006	<u><u>\$ 3,008</u></u>
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The accompanying notes are a part of the financial statements.

# **Norwood Township**

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## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Norwood Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Norwood Township.

#### **A. Reporting Entity**

The Township operates under a Board-Supervisor form of government and provides the following services:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# **Norwood Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Fund – The Road and Emergency Funds were established to account for millage voted by the taxpayers that has been restricted for township road improvements and emergency services.

Agency Fund – The Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

# **Norwood Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **D. Assets, Liabilities, and Net Assets or Equity**

#### Cash and Investments

Cash is comprised of the amount of funds in bank accounts.

#### Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

#### Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives.

Buildings and Improvements	40 years
Equipment	5 years
Land Improvements	20 years

#### Long-term Obligations

As of March 31, 2006, the Township has no outstanding long-term debt.

#### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### Use of Estimates

# **Norwood Township**

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## **Notes To Financial Statements For The Year Ended March 31, 2006**

The Township used estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

### **Accounting Change**

As of July 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township’s activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$58,911, which was the amount previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Township’s applicable capital assets.
- The fund financial statements focus on major funds rather than fund types.

The implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with implementation of Statement No. 34 based on GASB No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and various other disclosures.

# **Norwood Township**

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## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budgets and Budgetary Accounting**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 15, the Township Board submits a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted.
4. The Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles.
7. Appropriations expire at the end of the fiscal year.

#### **Excess of Expenditures over Appropriations in Budgeted Funds**

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Norwood Township's budgeted and actual expenditures for the funds budgeted have been shown on a function basis.

During the year, the Township did not incur expenditures in the General, Road Fund or Fire and Ambulance Fund in excess of the amounts appropriated.

# **Norwood Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **Accumulated Fund Deficits**

The Norwood Township had no funds with an accumulated fund balance/retained earnings deficit at March 31, 2006.

### **NOTE 3 – PROPERTY TAXES**

Property taxes are levied on July first and December first and are payable on September and February fourteenth, respectively. Property tax revenues are recognized when levied.

The Township levied .9853 mills for both the general operations and road improvements, and .4926 for emergency services on state taxable valuation of \$39,144,044 on the 2005 tax roll.

The Township also bills and collects taxes for other governmental units, which are accounted for in an Agency Fund.

### **NOTE 4 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan

Deposits – At March 31, 2006, the carrying amount of the Township's deposits was \$278,061.

Federal Depository Insurance – Of the above balances, \$157,672 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$120,389 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The Township may experience significant fluctuations in deposit balances during the year.



# **Norwood Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **NOTE 5 – CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	<u>Balance of April 1, 2005</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance of March 31, 2006</u>
Capital assets not being depreciated				
Land	\$ 17,094	-	-	\$ 17,094
Capital assets being depreciated				
Buildings and improvements	31,885	-	-	31,885
Land improvements	6,842	-	-	6,842
Equipment and furniture	1,762	-	-	1,762
Road signs	1,328	-	-	1,328
Total capital assets, being depreciated:	41,817	-	-	41,817
Less: accumulated depreciation	(28,451)	(634)	-	(29,085)
Total capital assets	<u>30,460</u>	<u>(634)</u>	<u>-</u>	<u>29,826</u>

Depreciation expense was charged to the Township's functions as follows:

General Government	<u>\$ 634</u>
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### **NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 3,008	\$ -
Agency Fund	-	3,008
Totals	<u>\$ 3,008</u>	<u>\$ 3,008</u>

# **Norwood Township**

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## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **NOTE 7 – FUND EQUITY RESERVATIONS AND DESIGNATIONS**

The Road Fund has \$43,274 restricted for road improvements.

The Emergency Fund has \$20,717 restricted for emergency services.

### **NOTE 8 – RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township carries insurance for liability and workers compensation coverage.

# Norwood Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Revenues:</b>				
Taxes:				
Property Tax	\$ 34,555	\$ 34,555	\$ 39,991	\$ 5,436
Administrative Fees	10,140	10,140	15,236	5,096
State Revenues:				
State Shared Revenues	40,554	40,554	48,222	7,668
Licenses and Permits	2,000	2,000	1,615	(385)
Interest	5,000	5,000	6,385	1,385
Reimbursements	100	100	1,420	1,320
Other	400	400	5,273	4,873
	<u>92,749</u>	<u>92,749</u>	<u>118,142</u>	<u>25,393</u>
Total Revenues				
<b>Expenditures:</b>				
<b>Legislative</b>				
<b>Township Board</b>				
Wages	3,300	3,300	3,200	(100)
Payroll Taxes	2,400	2,400	2,288	(112)
Supplies	550	550	27	(523)
Board of Appeals	2,100	2,100	182	(1,918)
Contracted Services	3,000	3,000	8,925	5,925
Professional Services	32,500	32,500	28,211	(4,289)
Dues & Subscriptions	1,000	1,000	680	(320)
Worker's Compensation	1,000	1,000	750	(250)
Insurance and Unemployment	5,500	5,500	5,103	(397)
Other Expenses	1,950	1,950	91	(1,859)
Contingency Fund	158,746	158,746	-	(158,746)
	<u>212,046</u>	<u>212,046</u>	<u>49,457</u>	<u>(162,589)</u>
Total Legislative				
<b>General Government</b>				
<b>Township Supervisor</b>				
Salaries & Wages	4,200	4,200	4,200	-
Other Expenses	805	805	-	(805)
	<u>5,005</u>	<u>5,005</u>	<u>4,200</u>	<u>(805)</u>
Total Township Supervisor				
<b>Elections</b>				
Other Expenses	2,800	2,800	-	(2,800)

# Norwood Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Township Assessor</b>				
Contracted Services	6,500	6,500	6,498	(2)
Supplies	3,000	3,000	1,915	(1,085)
Other Expenses	1,000	1,000	-	(1,000)
Total Township Assessor	10,500	10,500	8,413	(2,087)
<b>Township Clerk</b>				
Salary	6,000	6,000	6,000	-
Supplies	1,300	1,300	629	(671)
Other Expenses	1,350	1,350	-	(1,350)
Total Township Clerk	8,650	8,650	6,629	(2,021)
<b>Township Board of Review</b>				
Wages	1,000	1,000	600	(400)
Other Expenses	950	950	371	(579)
Total Board of Review	1,950	1,950	971	(979)
<b>Township Treasurer</b>				
Salary	6,000	6,000	6,000	-
Supplies	3,500	3,500	1,511	(1,989)
Professional Services	1,000	1,000	637	(363)
Telephone	200	200	111	(89)
Travel	400	400	182	(218)
Other Expenses	450	450	-	(450)
Total Township Treasurer	11,550	11,550	8,441	(3,109)
<b>Building and Grounds</b>				
Wages	500	500	37	(463)
Utilities	1,400	1,400	541	(859)
Other Expenses	9,000	9,000	-	(9,000)
Total Building & Grounds	10,900	10,900	578	(10,322)

# Norwood Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Cemetery</b>				
Wages	1,200	1,200	2,464	1,264
Other Expenses	500	500	-	(500)
Total Cemetery	1,700	1,700	2,464	764
<b>Total General Government</b>	51,355	53,055	31,696	(21,359)
<b>Public Safety</b>				
Fire Protection	-	-	339	339
<b>Public Works</b>				
Street Lighting	1,500	1,500	782	(718)
Road Improvements	-	-	205	205
Road Maintenance	10,500	10,500	4,480	(6,020)
Total Public Works	12,000	12,000	5,467	(6,533)
<b>Health &amp; Welfare</b>				
Ambulance	-	-	1,785	1,785
<b>Community &amp; Economic Develop. Planning &amp; Zoning</b>				
Wages	8,280	8,280	7,109	(1,171)
Public Notices	1,500	1,500	393	(1,107)
Supplies	1,800	1,800	1,055	(745)
Telephone	400	400	300	(100)
Travel	750	750	300	(450)
Due & Subscriptions	-	-	570	570
Education and Training	4,200	4,200	225	(3,975)
Total Community & Economic Development	16,930	16,930	9,952	(6,978)

# Norwood Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Recreation and Culture</b>				
Historical Society	100	100	-	(100)
Township Parks:				
Wages	1,200	1,200	196	(1,004)
Contracted Services	1,023	1,023	863	(160)
Other Expenses	1,000	1,000	35	(965)
	<u>3,323</u>	<u>3,323</u>	<u>1,094</u>	<u>(2,229)</u>
Total Recreation & Culture	<u>3,323</u>	<u>3,323</u>	<u>1,094</u>	<u>(2,229)</u>
Total Expenditures	<u>297,354</u>	<u>297,354</u>	<u>99,790</u>	<u>(197,564)</u>
<b>Net Change in Fund Balance</b>	(204,605)	(204,605)	18,352	222,957
<b>Fund Balance - April 1, 2005</b>	<u>204,605</u>	<u>204,605</u>	<u>204,605</u>	<u>-</u>
<b>Fund Balance - March 31, 2006</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,957</u>	<u>\$ 222,957</u>

# Norwood Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - Road Fund For The Year Ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues:</b>				
Property taxes	\$ 34,613	\$ 34,613	\$ 40,149	\$ 5,536
Interest Income	-	-	340	340
Total revenues	34,613	34,613	40,489	5,876
<b>Expenses:</b>				
Public Works:				
Road Improvements	60,000	60,000	30,520	(29,480)
<b>Net Change in Fund Balance</b>	(25,387)	(25,387)	9,969	35,356
<b>Fund Balance - April 1, 2005</b>	33,306	33,306	33,306	-
<b>Fund Balance - March 31, 2006</b>	<u>\$ 7,919</u>	<u>\$ 7,919</u>	<u>\$ 43,275</u>	<u>\$ 35,356</u>

# Norwood Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - Emergency Fund For The Year Ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues:</b>				
Taxes				
Property Taxes	\$ 17,305	\$ 17,305	\$ 20,071	\$ 2,766
Interest	-	-	105	105
	17,305	17,305	20,176	2,871
<b>Expenditures:</b>				
Public Safety				
Fire Protection	16,000	16,000	16,000	-
Health & Welfare				
Ambulance	4,500	4,500	2,300	(2,200)
Total Expenditures	20,500	20,500	18,300	2,200
<b>Net Change in Fund Balance</b>	(3,195)	(3,195)	1,876	5,071
<b>Fund Balance - April 1, 2005</b>	18,842	18,842	18,842	-
<b>Fund Balance - March 31, 2006</b>	<u>\$ 15,647</u>	<u>\$ 15,647</u>	<u>\$ 20,718</u>	<u>\$ 5,071</u>



MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON  
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Telephone (231) 547-4911  
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August 22, 2006

To the Board of Trustees  
Norwood Township

We have audited the financial statements of Norwood Township for the year ended March 31, 2006. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated, July 5, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Norwood Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Norwood Township are described in Note 1 to the financial statements. The Governmental Accounting Standards Board issued a new reporting model for governmental units, which was implemented for the fiscal year ended March 31, 2006. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year-end adjustments to the final presentation format. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

## **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

## **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees and management of Norwood Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Mason & Kammermann, P.C.*  
Mason & Kammermann, P.C.  
Certified Public Accountants